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AN EXPLANATION OF THE CHOICE (A) AND CHOICE (B) FARM UPLAND COTTON ALLOTMENTS AND PRICE SUPPORTS FOR 1959

The Agricultural Act of 1958 made a number of changes in the provisions of law which apply to upland cotton acreage allotments and price supports for 1959.

The following explanation covers the application of new provisions of the law relating to Choice (A) and Choice (B) farm allotments and the price support made available under each of the two choices for the 1959 crop of upland cotton.

Each upland cotton farm operator for 1959 will decide whether he wants to have the Choice (A) or the Choice (B) allotment for his farm. The choice between the two allotments is available because marketing quotas for the 1959 crop of upland cotton were approved in the referendum on December 15, 1958.

The law specifies that Choice (A) and Choice (B) allotments for upland cotton are to be available for only the 1959 and 1960 crops. The choice made by a farm operator is effective for only one year. An operator may elect a choice in 1960 which is different from his 1959 choice.

Choice (A) Allotments:

The Choice (A) upland cotton farm allotment is the allotment determined by the County Agricultural Stabilization and Conservation (ASC) Committee in accordance with the regular procedure. This allotment is commonly called the regular allotment and is the farm's share of the national allotment and any addition made for minimum allotments.

Choice (B) Allotments:

The Choice (B) allotment for a farm for 1959 is the allotment determined by the regular procedure Choice (A) allotment plus 40 percent of the regular allotment.

Allotment Notices:

Upland cotton producers were given official notice of the Choice (A) allotment and Choice (B) allotment for their farms for 1959 before the marketing quota referendum on December 15, 1958.

Farm Allotments:

Amendments to the law provide for a minimum national allotment and minimum allotments for farms. Beginning with 1959, the regular farm allotment [Choice (A)] for upland cotton cannot be reduced below the smaller of 10 acres or the 1958 allotment for the farm. For example: A farm with a 1958 allotment of 10.5 acres can be reduced to 10 acres but not any smaller. If the 1958 allotment for a farm was 5.8 acres the regular allotment for 1959 and following years could not be reduced below the 1958 allotment of 5.8 acres.

The national allotment for 1959 and subsequent years cannot be less than 16 million acres. In addition, the law provides for 310,000 additional allotment acres to be apportioned to the States on the basis of their needs for additional acreage for establishing minimum farm allotments.

In determining the Choice (B) allotment for farms, County ASC Committees first determined the regular or Choice (A) allotment and then determined the Choice (B) allotment by increasing the Choice (A) allotment by 40 percent.

1959 Price Support:

Not later than January 31, 1959 the Secretary of Agriculture is required to determine and announce the price support levels for the upland cotton crop produced during the following season. The price support determination is to be made and announced for cotton produced on Choice (A) allotment farms and for cotton produced on Choice (B) farms. The price support levels determined under this requirement will be final and will not be revised at the beginning of the marketing year.

The national price support levels determined will be on the basis of Middling 7/8-inch cotton at average location. Support rates for each quality of cotton for each warehouse location will be announced later, as under past programs.

Choice (A) Price Support Level and Method:

For 1959 the price support level for cotton produced on farms for which the Choice (A) allotment has been elected cannot be less than 80 percent of parity on the basis of Middling 7/8-inch cotton at average location.

The price support available for upland cotton produced on farms on which the operator elects the Choice (A) allotment will be carried out through a purchase program. Details on the operation of the purchase program will be worked out and announced well ahead of the normal marketing period for 1959 upland cotton.

Choice (B) Price Support Level and Method:

The price support level for cotton produced on farms for which the Choice (B) allotment has been elected will be at a level 15 percent of parity less than the support price for Choice (A) allotment farms. The support level for Choice (B) cotton for 1959 will therefore be not less than 65 percent of parity on the basis of Middling 7/8-inch cotton at average location. Price support will be available through loans, purchases, or other operations.

Allotment Compliance and Price Support:

Producers on a farm for which the operator elects the Choice (A) allotment will be required to comply with that allotment to be eligible for price support. Producers on a farm for which the operator elects the Choice (B) allotment will be required to comply with that allotment to be eligible for price support. If the farm upland cotton allotment is exceeded, on a farm with either a Choice (A) allotment or a Choice (B) allotment, any excess cotton produced is subject to a marketing quota penalty. The marketing quota penalty for upland cotton of the 1959 crop is one-half the parity price of cotton as of June 15, 1959.

A farm operator who has elected the Choice (A) allotment for his farm will not be permitted to produce excess cotton on that farm and avoid the marketing quota penalty by changing to the Choice (B) allotment.

An operator who has elected Choice (B) may be authorized by the County ASC Committee to change to Choice (A) where the County Committee finds that conditions beyond the control of the operator due to excessive rains, flood, hail, or drought, prevented planting or having an acreage of cotton for harvest in accordance with the plan of the operator in selecting the Choice (B) allotment. Application for this change must be made in writing to the County ASC Committee.

Operator Must Make Same Choice On All Farms:

Any person operating more than one farm, in order to be eligible for the Choice (B) allotment on any farm which he operates, must elect Choice (B) for all farms for which he is the operator. The election of the Choice (A) allotment applies to all farms operated by the farm operator making the election. This requirement applies regardless of the distance between the farms or their geographical location.

Operator To Elect Allotment In Writing:

After the Secretary determines the price support levels for cotton produced on Choice (A) allotment farms and Choice (B) allotment farms, each operator will be given notice of the Choice (A) and Choice (B) price support levels for farms operated by him. This notice will be in addition to the allotment notice he received before the referendum on December 15, 1958.

At the time the price support level notice is given to each cotton farm operator, he will be notified of the deadline date by which he must elect either the Choice (A) or Choice (B) allotment for his farm. The decision must be made in writing by March 16, 1959. If an operator fails to notify the County ASC Committee of his decision within the time specified in his notice, he will be deemed to have elected the Choice (A) allotment and price support.

The price support level notice to each upland cotton farm operator will have on the notice a place for the operator to make his election of the Choice (A) or the Choice (B) allotment and the applicable level of price support. Farm operators will, therefore, not begin making their choices until after they receive the price support notice early in February.

Sale of Cotton Owned by the Commodity Credit Corporation:

During the period August 1, 1959, through July 31, 1961, the law requires the Commodity Credit Corporation to offer any cotton owned by the Corporation for sale for unrestricted use at not less than 110 percent of the current level of price support for cotton produced on farms with Choice (B) allotments.

Comparison of Choice (A) and Choice (B) Price Support Levels:

It is not possible to furnish at this time the exact support level in cents per pound for Choice (A) and Choice (B), or what the difference between the two levels may be. However, some comparisons could be made on the basis of the current parity price for cotton.

The parity price for cotton as of December 1, 1958, was 38.93 cents per pound. In accordance with existing legislation, the parity price is applicable to Middling 7/8-inch cotton at average location.

80 percent of the December 1 parity price is 31.14 cents

65 percent of the December 1 parity price is 25.30 cents

15 percent of the December 1 parity price is 5.84 cents

The actual minimum levels of support for Choice (A) and Choice (B) cotton and the difference between the two levels will depend upon the estimate of the parity price as of August 1, 1959, which will be used in determining the final level of support. Any difference in the current parity price and that used in determining the final level of support will cause a comparable change in the above computations.

The 1958 support rate for Middling 7/8-inch cotton at average location is 31.23 cents per pound. This rate was based on 81 percent of the August 1, 1958, parity price of cotton which was 38.55 cents per pound. The rates for other qualities (grades and staple lengths) and for other locations will vary in accordance with the 1958 program premiums and discounts and the location differentials.

Premiums and discounts will apply to both Choice (A) and Choice (B) cotton in 1959 and are not expected to vary greatly from those in effect in 1958. Therefore, reasonably accurate estimates of the differentials for qualities other than Middling 7/8-inch can be determined by referring to the 1958 schedule of premiums and discounts, or current premiums and discounts in the 14 designated spot markets. Location differentials are not expected to change materially in 1959.

Future State, County, and Farm Allotments:

The increased cotton acreage resulting from farm operators electing Choice (B) farm allotments is not to be taken into account in establishing future State, county, and farm acreage allotments.

Release and Reapportionment:

The acreage allotment for a farm on which the operator has elected the Choice (B) allotment may not be released for reapportionment to any other farm. Release of allotment may be made only from farms for which the Choice (A) allotment applies.